

Title

Permanent housing affordability through neighborhood-owned housing.

Summary

Institute a pilot program that will steward the creation of housing that is owned collectively by residents, merchants, and community members.

Goals

1. Permanently remove land from the speculative market and into community stewardship.
2. Create permanently affordable housing.
3. Offer sustainable housing for families with a range of incomes.
4. Provide an opportunity for residents, neighbors, and merchants to collectively stabilize their communities.
5. Prevent the displacement of vulnerable communities¹.
6. Address and eliminate the root causes of neighborhood disinvestment and poverty concentration².
7. Preserve San Francisco's robust and economically vital Cultural Districts³.

Describe how the proposal creates, supports, or expands the development of social housing.

This program creates social housing through neighborhood collective stewardship. Staying within the guidelines of the implementation of the program, they will retain community interest in the land, ensuring improvements to the property and to their neighborhood, and permanent affordability. This pilot program serves all income-qualified households with a maximum average of not more than 80% of median income across all units in a project, based on the median income within the zip code area where the project is located. It is a blend of community land trusts and limited equity cooperative housing. The following is an example illustrating how this pilot program will create, support, and expand the development of social housing :

Creates

A 6 unit property in Bayview, housing multi-generational families, is about to go onto the speculative market through foreclosure. Each household is income-qualified. The residents are on the cusp of becoming displaced. The property is appraised at 2 million dollars and they need to raise the funds to purchase their home. The residents have to get creative.

Thankfully, multiple groundbreaking pieces of legislation both within San Francisco and statewide have created a unique pathway for these residents to become homeowners while simultaneously taking their home off the speculative market and making it permanently affordable.

First, San Francisco's Community Opportunity to Purchase Act⁴ and California's Senate Bill 1079⁵ give them the first right of refusal. The residents find a qualified nonprofit, e.g. a Community Land Trust (CLT), that will own the underlying land, while the residents will lease or buy the housing on top. The nonprofit is having issues raising the funds in time. The residents have an idea to doorknock the neighborhood and ask the small

¹ [Community Stabilization | SF Planning](#)

² [San Francisco's Community Stabilization Report Executive Summary](#)

³ [Sunset Chinese Cultural District](#), [American Indian Cultural District](#), [Castro LGBTQ Cultural District](#), [African American Arts and Cultural District](#), [et al.](#)

⁴ [SF COPA](#)

⁵ [Senate Bill 1079 Residential property: foreclosure.](#)

businesses and their fellow neighbors if they would be willing to become contributors. The residents would like to take it a step further. They want their neighbors to become collective owners of the property, thereby keeping the community intact. Rather than watching the fate of their communities be determined by wealthy speculators, large companies, and absentee landlords, the residents and their neighbors will build collective power, pools of capital, skills, and organized communities that can take action to shape the future of local land and buildings.

Supports

For this idea to be sustainable they would need to form a different kind of cooperative: a permanent real estate cooperative (PREC) that would be piloted by the CLT. A for-profit owned by its members, PRECs are funded predominantly through Resident Owner-Members, Community-Member Contributors, Staff Member Contributors, and crowd-sourcing. The model combines features of CLTs, limited equity housing cooperatives, real estate investment cooperatives, and self-organizing social movements from around the world. This model takes advantage of a change in the state law, Assembly Bill 816 Cooperative Corporations⁶, to develop a wide base of members who will create a new model of land and housing ownership to benefit those who have been excluded from stable housing; nonresidents also receive limited voting power in governing the cooperative. AB 816 increased the threshold for contributions in worker cooperatives from \$300 to \$1,000, such that someone could now contribute up to \$1,000 before securities. PRECs have access to capital not available to nonprofits and are not restricted by means-testing.

Expands

As a Resident Owner-Member, Community-Member Contributor, or Staff Member Contributors you buy into a house or building, the Cooperative will structure your purchase to simulate homeownership as closely as possible. The main exception is that, rather than selling your share on the speculative housing market, you will later sell your share at a predetermined price. That price will be designed to pay you a rate of return that is more akin to a savings account, and likely tied to a common index, such as the Consumer Price Index. The formula is designed to stabilize the price of housing for future residents. For example, if you buy a unit for \$200,000, you might sell it 10 years later for \$239,000 (if the return is around 2%), plus the cost of improvements you made or minus the cost of restoring the property to good condition. Ideally, the Cooperative, itself, will purchase your unit and then sell it to another Cooperative owner.

If you buy a share, you can later redeem it at face value along with a small rate of return, so long as the Cooperative has funds available. For example, if the Cooperative pays a 2% dividend on shares, you will receive \$1,195 if you redeem your share 10 years later. After a round of selling initial ownership shares, the Cooperative likely will offer the opportunity to purchase larger shares or to lend money to the Cooperative.

Regardless of the size of your contribution, the rate of return will be capped, likely below 5%. No individual or company will be able to profit limitlessly from the Cooperative. The goal is to pay a reasonable return on contributions (comparable to what you receive in interest-bearing savings accounts, at the very least) and to return as much value as possible to the Owners in the form of good housing, jobs, education, and community-building.

Clear bylaws and succession plans—plans that delineate terms should the corporation dissolve—are essential to permanently removing properties from the speculative market and preserving affordability and community control. The PREC will have internal commitments in its bylaws that govern individual leases as well as the cooperative as a whole. To support both affordability and neighborhood control, the bylaws will mandate that

⁶ [AB 816](#)

individual leases can only be sold at a capped price and that the cooperative will not sell the building itself. The bylaws will also include directives on succession in their bylaws in case the cooperative corporation dissolves

Finally, What can truly set this model apart from others is the recommended requirement to approach social housing holistically by requiring all members to attend training workshops in knowing their rights, mediation, and how to deepen their community involvement.

Describe how the proposed program or type of project will advance racial and social equity, as well as geographic equity.

San Francisco ranks as the 13th most racially disparate county in the United States⁷. This pilot program would help all vulnerable residents buy back their block in a way that has never been done before in our city. The PREC model calls on every community member (resident, neighbor, merchant) to actively engage in neighborhood stabilization. The onus should no longer rest on the residents, rather it should be a collective effort to finally advance racial and social, and geographic equity.

Describe how the goals of the program or project can be accomplished or advanced and by what types of agencies or entities within Fiscal Year 2022-23.

For the goals of the pilot program to be accomplished there will need to be funding for the following technical start-up support:

- Annual paperwork filing fees and additional fees for the formation
- Salary for Staff and subsidized labor
- Outreach
- Acquisition and overhead costs

⁷ [Race Counts](#)